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DIRECTORATE OF  
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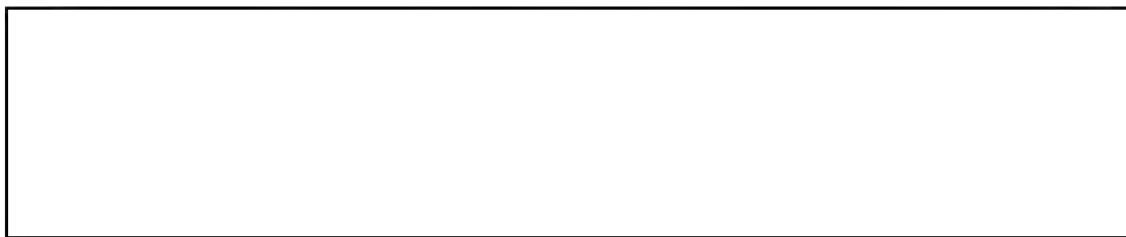
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CHINA - NORTH VIETNAM: Peking appears to have taken steps to reassure Hanoi and probably Pyongyang in the wake of President Nixon's China trip.

Prince Sihanouk has told Western newsmen that Chou En-lai recently assured him and North Vietnamese Premier Pham Van Dong that Peking would not act, even secretly, as an intermediary between Hanoi and Washington in resolving the Indochina war. Chou reportedly said that this had been communicated to President Nixon.

Sihanouk refused to say where the meeting with Chou had taken place, but there have been rumors in Asian diplomatic circles since early this week that the Chinese Premier was in Hanoi on 3-4 March.

A trip by Chou to Hanoi would not be surprising, given North Vietnam's obvious nervousness over the improvement in Sino-US relations. Chou's reported refusal to serve as an intermediary between Hanoi and Washington is in line with repeated Chinese statements, both in public and in private, that any settlement of the war must be worked out directly between the US and the Vietnamese Communists.

The persistence of Hanoi's indirect criticism of the Sino-US talks, however, suggests that Chou's reassurances have not removed North Vietnamese objections. In an article on 8 March, the North Vietnamese Army daily newspaper continued Hanoi's practice of quoting liberally, and with biting sarcasm, from the communiqué and the President's statements during the visit. The communiqué issued by Sihanouk and the North Vietnamese on 5 March, presumably after Chou's meeting with Dong and Sihanouk, also contained adverse comments on US portions of the Shanghai communiqué.

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CAMBODIA: The long-awaited draft constitution that will pave the way for Lon Nol's accession to the presidency is nearing completion, but several important loose ends remain.

Lon Nol was due to return to Phnom Penh on 9 March after a month's vacation in Kompong Som. In the past few days, members of the Constituent Assembly have been meeting with government officials to work out a number of controversial articles of the constitution, including the military's voting rights and the eligibility of members of the royal family to hold office. The latter issue is particularly sensitive in that it directly relates to Sirik Matak's ability to continue to serve in the government.

It still is not clear just what formula will be adopted to enable Lon Nol to become president. The new constitution may include a provision that will name Lon Nol interim president pending national elections, but the embittered present chief of state, Cheng Heng, is balking at the idea of promulgating such an "illegal" document. Constituent Assembly President In Tam is preparing a procedure to bypass Cheng Heng whereby a reconstituted National Assembly, rather than the chief of state, will promulgate the new constitution.

Some doubt also still surrounds the likely makeup of the proposed new government. In Tam, who appeared to be slated to become prime minister, may be having second thoughts. He is now telling US Embassy officials that Lon Nol has not actually offered him the job.

Apart from Cheng Heng, there appears to be little opposition within important military or civilian circles to the impending political changes. A flurry of antigovernment activity by some student elements in Phnom Penh is causing the regime some concern, however. Angered by the recent firing of

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the dean of the Law Faculty for making antigovernment remarks, law students organized a peaceful public meeting in the capital on 9 March that resulted in the assembled university students "voting" to withdraw their support from the "Sirik Matak" government. Thus far, government leaders appear determined to deal with student dissatisfaction with restraint, probably on the assumption that the factionalized student community poses no serious threat. The students' opposition to Sirik Matak may, nevertheless, provide some ammunition to those among Lon Nol's entourage who would like to see Matak's influence curtailed.

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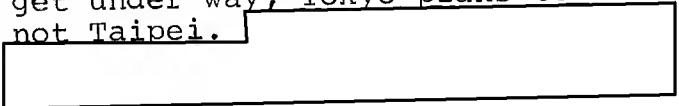
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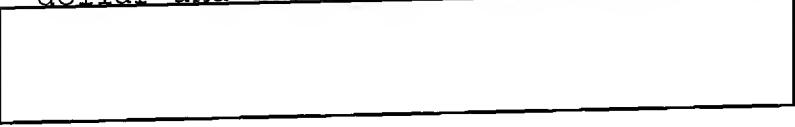
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JAPAN - SOUTH KOREA: Tokyo and Seoul failed to resolve their differences over conflicting claims to oil concession zones in the East China Sea in the latest round of talks. Both sides, however, agreed to continue the understanding that provides for non-interference in each other's survey work in the disputed areas. While no reference to Taiwan's claims in these zones was made during the bilateral talks, a Japanese Embassy official commented later that when negotiations on the disputed areas eventually get under way, Tokyo plans to talk with Peking and not Taipei.



INTERNATIONAL MONETARY DEVELOPMENTS: Nearly all major foreign currency exchange rates strengthened sharply against the dollar in active trading yesterday. Only the Belgian and Dutch currencies, which were maintained at their exchange rate ceilings by sizable central bank intervention, did not contribute to the rise. The Netherlands alone absorbed some \$300 million. The recent decision by the EC to narrow intra-Community exchange margins, which has the effect of reducing European dependence on the dollar, is one of many factors underlying the weakened dollar. Belgium and the Netherlands have joined Japan and West Germany in imposing new exchange controls in response to renewed monetary pressures. If dollar difficulties persist, France and other countries may similarly tighten controls over capital inflows. European governments are resolved, as reflected by the EC monetary agreement, to resist both a renewed float against the dollar and additional large-scale dollar inflows.



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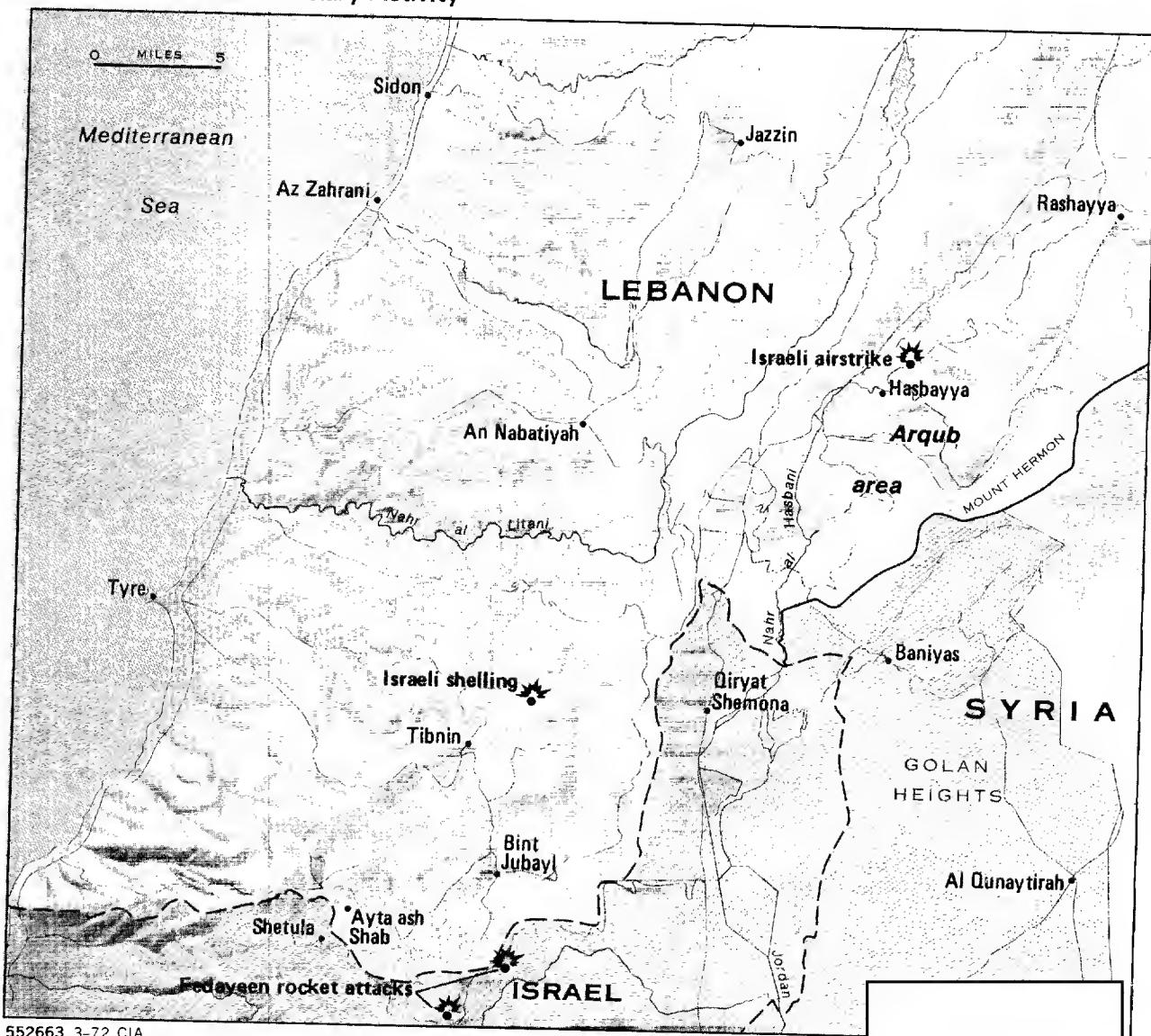
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ISRAEL-LEBANON: Military Activity



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ISRAEL-LEBANON: Israeli aircraft struck fedayeen targets in the Arqub area yesterday afternoon, the first strike Israel has made against "Fatahland" since its search-and-destroy action in late February. Earlier yesterday, Israeli artillery shelled a village in south-central Lebanon in retaliation for Katyusha rocket attacks on two Israeli border settlements. While the Katyusha attacks provided the Israelis with a pretext for hitting fedayeen positions in southern Lebanon, the airstrikes in the Arqub area were probably intended to keep the pressure on the fedayeen.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 9 March 1972 approved the following national intelligence estimate:

SNIE 33-72 "Trends in Ceylon" [redacted]

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